

**STATE OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA**

**REPORT OF EXAMINATION
OF
NORTH DAKOTA LIFE AND HEALTH
INSURANCE GUARANTY ASSOCIATION
FARGO, NORTH DAKOTA**

**AS OF
JUNE 30, 2010**

STATE OF NORTH DAKOTA
DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

North Dakota Life and Health Insurance Guaranty Association

Fargo, North Dakota

as of June 30, 2010, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.



IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal at my
office in the City of Bismarck, this 20th day of
October, 2011.



Adam Hamm
Insurance Commissioner

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
HISTORY.....	1
General	1
Board of Directors.....	2
Officers.....	3
Executive Committee.....	3
Corporate Records	4
<i>Plan of Operation</i>	4
<i>Board of Directors and Committee Minutes</i>	4
ASSESSMENTS.....	4
ESTATE DISTRIBUTIONS	5
BENEFITS	5
Refunds	7
Estimated Future Cost of Insolvencies.....	7
ADMINISTRATION AND CONSULTANTS	7
ACCOUNTS AND RECORDS	7
FINANCIAL STATEMENTS	8
COMMENTS TO THE FINANCIAL STATEMENTS.....	15
Cash and Investments	15
FUND BALANCE	15
SUBSEQUENT EVENTS.....	15
CONCLUSION.....	16

Fargo, North Dakota
August 5, 2011

Honorable Adam Hamm
Insurance Commissioner
North Dakota Insurance Department
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Commissioner:

Pursuant to your instructions and statutory provisions, an examination has been made of the books, records and financial condition of

North Dakota Life and Health Insurance Guaranty Association

Fargo, North Dakota

The North Dakota Life and Health Insurance Guaranty Association, hereinafter referred to as the "Association," was last examined as of June 30, 2005, by the North Dakota Insurance Department.

SCOPE OF EXAMINATION

This examination covers the period from July 1, 2005, to and including June 30, 2010, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination. This examination was conducted in accordance with N.D.C.C. § 26.1-38.1-12 and observed guidelines and procedures contained in the NAIC *Financial Condition Examiners Handbook* with due regard to the practices, procedures, regulations, and statutes of the State of North Dakota.

HISTORY

General

The Association was created on July 1, 1983, under the provisions of N.D.C.C. Chapter 26.1-38.1 as a nonprofit, unincorporated legal entity. The purpose of the Association is to provide funds for the continuation of in-force contracts and payment of contractual obligations under certain life, health, and annuity insurance contracts of insolvent insurance companies. Except for entities specifically exempted by N.D.C.C. § 26.1-38.1-02(12), all insurers, including nonprofit health service corporations, licensed or holding a Certificate of Authority to transact in this state any kind of insurance for which coverage is provided under N.D.C.C. § 26.1-38.1-01, and includes any insurer whose license or Certificate of Authority in this state may have been suspended, revoked, not renewed, or voluntarily withdrawn must be and remain members of the Association as a condition of their authority to transact insurance in the State of North Dakota.

For the purpose of administration and assessment, the Association is required to maintain separate life, health, annuity, and unallocated annuity accounts.

The Association has received a determination from the Internal Revenue Service that it is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(C)(6).

Board of Directors

The Plan of Operations specifies that the Board shall consist of five to nine member insurers who shall be selected by member insurers, subject to the approval of the Commissioner.

The Plan of Operation specifies that the annual meeting of the Board of Directors shall be held at a place designated by the Board on the third Tuesday in the month of July, immediately following the annual meeting of the member insurers, unless the Chair of the Board, upon proper notice, shall designate some other time, day, or place. At each annual meeting the Board shall elect officers; appoint committees; receive reports from the Commissioner; review the plan and submit proposed amendments, if any, to the Commissioner for approval; review each outstanding contract or agreement; review operating expenses and outstanding contractual obligations; and determine whether an assessment, or a refund of a prior assessment is necessary for the proper administration of the Association and, if so, the amount of either.

Regular meetings, if any, shall be scheduled by the Board at its annual meeting. Notice of such meetings shall be given to the Commissioner. Special meetings may be called by the Chair and shall be called upon the request of any two members of the Board of Directors, upon two days written notice mailed to each Board member.

The Board of Directors held an annual meeting, in compliance with the Plan of Operations, in each of the years covered by this statutory examination. There were also four special meetings held during the period under examination.

Directors duly elected and serving June 30, 2010, together with their addresses and business affiliations are as follows:

Name	Term Expires	Business Affiliation
David Breuer Fargo, North Dakota	2013	Senior VP of Finance & Chief Financial Officer Noridian Mutual Insurance Company
Melody R. J. Jensen Sioux Falls, South Dakota	2012	Vice President – General Counsel Midland National Life Insurance Company
Miles Mathews Austin, Texas	2011	Vice President – External Affairs ING Americas
Dan Devine Minneapolis, Minnesota	2011	Second Vice President – Corporate Tax Allianz Life Insurance Company of America
Merle T. Pederson Des Moines, Iowa	2013	Vice President & Counsel – Government Relations Principal Life Insurance Company
Lawrence J. Zich Fargo, North Dakota	2012	President/CFO Lincoln Mutual Life & Casualty Insurance Co.

Officers

Pursuant to the Plan of Operations, the Board shall elect a Chair, Vice Chair, Secretary, and Treasurer and such other officers as may seem to be desirable from among its members. Each officer shall hold office for a period of one year.

Officers elected at the July 28, 2009, annual meeting of the Board of Directors and serving at June 30, 2010, were as follows:

<u>Name</u>	<u>Title</u>
Lawrence Zich	Chair
David Breuer	Vice Chair and Treasurer
Melody Jensen	Secretary

Executive Committee

The Plan of Operations provides that the Board of Directors may appoint from among its members an Executive Committee of three members, one of whom shall be Chair of the Board. The Board of Directors reserves to itself the sole power to determine assessments. Subject to the foregoing limitation, the Executive Committee shall possess and exercise all other powers of the Board of Directors during intervals between meetings. Members of the Executive Committee as of June 30, 2010, were as follows:

Lawrence J. Zich
Melody Jensen
David Breuer

Corporate Records

Plan of Operations

The Board of Directors did not make any amendments to the Plan of Operations during the period under examination.

Board of Directors and Committee Minutes

The minutes of the Board of Directors and Executive Committee for the period under examination were reviewed.

The minutes of the various meetings indicate that meetings were well attended and held in accordance with the Plan of Operations. The deliberations of the bodies were adequately documented.

ASSESSMENTS

N.D.C.C. § 26.1-38.1-06 provides that for the purpose of providing funds necessary to carry out the powers and duties of the Association, the Board of Directors shall assess the member insurers, separately for each account, at such time and for such amounts as the Board finds necessary. Assessments are due within 30 days and accrue interest at 18 percent per annum on and after the due date.

Class A assessments are made for the purpose of meeting administrative and legal costs and other expenses. Class A assessments may be made on a pro rata or non-pro rata basis. Non-pro rata Class A assessments are assessed on a per capita basis and may not exceed \$150 per member insurer in any one calendar year.

Class B assessments are made to the extent necessary to carry out the powers and duties of the Association with regard to an impaired or insolvent insurer. Class B assessments against member insurers must be in the proportion that the premiums received on business in this state by each assessed member insurer on policies or contracts covered by each account for the three most recent calendar years for which information is available preceding the year in which the insurer became impaired or insolvent bears to such premiums received on business in this state for such calendar years by all assessed member insurers. The total of all assessments upon a member insurer in any one calendar year may not exceed two percent of such insurer's average premiums received in this state during the three calendar years preceding the year in which the insurer became insolvent or impaired.

The Plan of Operations permits the Board to abate or defer an assessment if, in its opinion, payment of the assessment would endanger the ability of the member insurer to fulfill its contractual obligation, or the insurer has been placed under an Order of Rehabilitation or an Order of Liquidation. At June 30, 2010, the only company that had assessments deferred was

Monarch Life Insurance Company, which is in rehabilitation. The amount of deferred assessments totaled \$6,113.

During the fiscal year ending June 30, 2009, the Association completed a Refund/Assessment project. A total assessment was made for \$144,400 and a refund was issued for \$1,263,817. Member companies were billed or paid for the net assessment or refund. The net assessments received totaled \$35,446 and refunds totaled \$1,153,902.

ESTATE DISTRIBUTIONS

The Association has a priority claim over general creditors of an insolvent insurer. The amount of the priority claims is equal to the claims paid by the Association pursuant to the Act. Distributions received from liquidators aggregated \$1,725,282 during the period under review.

BENEFITS

The benefits for which the Association may become liable may in no event exceed the lesser of:

- The contractual obligations for which the insurer is liable or would have been liable if it were not an impaired or insolvent insurer.
- With any respect to one life, regardless of the number of policies, or contracts:
 1. \$300,000 of life insurance death benefits, but not more than \$100,000 in net cash surrender and net cash withdrawal values of life insurance;
 2. \$100,000 of health insurance benefits, including any net cash surrender and net cash withdrawal values; or
 3. \$100,000 of the present value of annuity benefits, including net cash surrender and net cash withdrawal values.

The following is a schedule of benefits and expenses paid by insolvency during the period under examination:

Insolvency	2004	2005	2006	2007	2008	2009	2010	Total
American Chambers Life	\$ 4	\$ 165	\$ 2	\$ 4	\$ 20	\$ 46	\$ 6	\$ 247
American Integrity			651	116	906	4,488	462	6,623
Bankers Commercial Life	28							28
Benicorp Insurance						47	27	74
Centennial Life	233				3	5	4	245
Diamond Benefits Life		218	121	419				758
Executive Life / DBL					25			25
Executive Life / GSLIC						(93)		(93)
Executive Life / KCL					1,746	2,259	505	4,510
Executive Life / MBL						(8)		(8)
Executive Life	209,495	195,093	176,711	172,173	162,685	162,057	153,163	1,231,377
Great Republic						314,799		314,799
Guarantee Security Life		135	174					309
Kentucky Central Life	1,875	1,348	1,357	1,505				6,085
Legacy Life						92,200		92,200
Legion Insurance				8	9	9		26
Life & Health Ins Co of Am.		57,045	67,775	125,673	85,324	144,587	158,548	638,952
Lincoln Memorial						8,063	735	8,798
London Pacific	2,042	138,870	653	85	152	(77,991)	12	63,823
Medical Savings							415	415
Midwest Intl Life	5,877	55,702	58,389	105,718	4,509	4,351	4,357	238,903
Midwest Life		164	4,007	602	830	1,778	27,815	35,196
Mutual Benefit Life				73				73
National Amer. Life of PA						61,997		61,997
National Heritage			299	1,080	65	62	34	1,540
Reliance Insurance			120	126			1,057	1,303
Statesman National	76							76
Summit National			254	75		629,080		629,409
Universal Life	36		5	39	99	(18,543)	18	(18,346)
Villanova Insurance			5					5
Other Companies	4,454	14,542	2,178	1,834	2,404	154,727	10,029	190,168
Total	\$224,120	\$463,282	\$312,701	\$409,530	\$258,777	\$1,483,920	\$357,187	\$3,509,517

Refunds

The Plan of Operations provides that the Board of Directors may refund by payment or credit against Class B assessments to member insurers, in proportion to the contribution of each insurer to that account, the amount by which the assets of the account exceed the amount the Board finds is necessary to fund obligations of the Association for that account. During the fiscal year ending June 30, 2009, the Association approved a Refund/Assessment project, which is discussed in greater detail under the Assessments Section.

Estimated Future Cost of Insolvencies

As of June 30, 2010, the Association estimates that the cost of future benefits for reported insolvencies will be approximately \$2,556,746 for future payments to fund a rehabilitation plan relating to the Executive Life Insurance Company insolvency. Total estimated future payments for contractual obligations due to impairments or insolvencies is \$2,850,000.

ADMINISTRATION AND CONSULTANTS

The Association contracts with an Executive Director and an Accountant who perform various administrative functions for the Association. The Executive Committee renews contracts annually with the Executive Director and the Accountant.

As of June 30, 2010, the Association had entered into the following contracts:

- Service and Settlement Agreements for Life and Health Insurance Company of America
- Service Agreement for Benicorp Insurance Company
- Service and Joint Litigation Agreements for Lincoln Memorial Life Insurance Company
- Service Agreement for Medical Savings Insurance Company
- Service and Early Access Agreements for National States Insurance Company
- Settlement Agreement for Universe Life Insurance Company
- Settlement Agreement for Midwest Life Insurance Company
- Mutual Release Agreement for Executive Life Insurance Company

ACCOUNTS AND RECORDS

The Association maintains its records on the cash basis. Under the cash basis of accounting, income is recognized when received and expenses are recognized when paid.

The records of the Association consist of a cash receipts journal, a cash disbursements journal, a check register, corporate records, and subsidiary records necessary for the preparation of statistical data.

The Plan of Operations permits the Board to create a composite account to deposit excess funds raised by Class B assessments for any one impaired or insolvent insurer. No distinction among the life, health, and annuity accounts and subaccounts need be maintained. As of June 30, 2010, the balance in the composite account was \$78,466.

In order to avoid unnecessary clerical expenses, the Plan of Operations permits the Board to authorize the transfer of funds between accounts and classes as it deems necessary to assure the fair, reasonable, and equitable operation and administration of the Association. The transfer of account balances were all properly authorized by the Board of Directors during the period under review.

The Association allocates Class B and Class A expenses to the various accounts and subaccounts using various expense categories, e.g., claims, administration, legal, and general. In fiscal year ending June 30, 2010, the Association allocated approximately 19.8 percent of its expenses to the administrative account and the remainder to individual insolvency accounts. The Association allocates all investment income to the administrative account.

The Association does not adhere to the guidance of NOLHGA's Accounting Guidelines Manual in terms of allocating the investment income based on the average of the beginning and ending net asset balance for each estate for the period over which the income was earned. Alternatively, the Association has adopted a policy of allocating all investment income into an account used for the sole purpose of covering administrative expenses.

FINANCIAL STATEMENTS

The financial statements section includes the following:

- Statement of Assets, Liabilities and Net Assets and Statement of Activities and Changes in Net Assets - Current Year, By Account
- Statement of Activities and Changes in Net Assets - Current Year, By Account and Insolvency

North Dakota Life and Health Insurance Guaranty Association
Statement of Assets, Liabilities and Net Assets
June 30, 2010

	Life	Allocated Annuity	Unallocated Annuity	Health	Other Companies	Total	Admin Account	Total
Assets:								
Cash and Cash Equivalents	\$2,008,347	\$1,220,165	\$3,986	\$17,315	\$236,019	\$3,485,832	\$761,342	\$4,247,174
Total Assets	\$2,008,347	\$1,220,165	\$3,986	\$17,315	\$236,019	\$3,485,832	\$761,342	\$4,247,174
Liabilities and Net Assets:								
Net Assets	\$2,008,347	\$1,220,165	\$3,986	\$17,315	\$236,019	\$3,485,832	\$761,342	\$4,247,174
Total Liabilities and Net Assets	\$2,008,347	\$1,220,165	\$3,986	\$17,315	\$236,019	\$3,485,832	\$761,342	\$4,247,174

North Dakota Life and Health Insurance Guaranty Association
Statement of Activities and Changes in Net Assets
for the Period Ended June 30, 2010

	Annuity	Unallocated Annuity	Life	Health	Other Companies	Total	Admin Account	Total
Revenue								
Assessments			\$ 547			\$ 547	\$	547
Premiums								443
Interest Income			1,231	\$ 9,315	\$196,149	208,541	\$ 443	208,541
Other/Refund/Distributions	\$ 1,846							
Total Revenue	\$ 1,846		\$ 1,778	\$ 9,315	\$196,149	\$ 209,088	\$ 443	\$ 209,531
Expense								
Claims	\$ 94,682		\$ 58,501	\$ 151,420		\$ 304,602	\$	304,602
Administration	149		734	998	\$ 1,466	3,347	\$ 34,871	38,218
Legal	24,885		1,383	1,383		27,650		27,650
General					26	26	13,124	13,124
Other/Refunds								26
NOLHGA Dues/Expenses	2,734		2,100	8,191	8,537	21,562	40,232	61,794
Total Expense	\$ 122,450		\$ 62,718	\$ 161,992	\$ 10,029	\$ 357,187	\$ 88,227	\$ 445,414
Increase/Decrease in Net Assets	(120,604)		(60,940)	(152,677)	186,120	(148,099)	(87,784)	(235,883)
Net Assets, Beginning of the Year	1,340,466	\$3,986	2,077,479	161,826	50,175	3,633,932	849,125	4,483,057
Inter-Fund Transfers	303		(8,192)	8,166	(276)			
Net Assets, End of the Year	\$1,220,165	\$3,986	\$2,008,347	\$ 17,315	\$236,019	\$3,485,833	\$761,341	\$4,247,174

North Dakota Life and Health Insurance Guaranty Association
Statement of Activities and Changes in Net Assets
for the Period Ended June 30, 2010

	LIFE										UNALLOCATED ANNUITY	
	Cent'l Life	Executive Life	Executive Life / GLIC	Executive Life / KCL	Lincoln Memorial	Midwest Internat'l	Midwest Life	Executive Life / MBL	Summit National	Total Life	Executive Life	Total Unallocated
Revenue												
Assessments												
Premiums						\$ 547				\$ 547		
Interest Income										1,231		
Oth/Refund/Distributions		\$ 1,231										
Total Revenue		\$ 1,231				\$ 547				\$ 1,778		
Expense												
Claims		\$ 57,420				\$ 1,081				\$ 58,501		
Administration		97		\$ 15						734		
Legal					\$ 622		\$ 1,383			1,383		
General												
Other/Refunds				404	50		8			2,100		
NOLGA Dues/Exp		1,638										
Total Expense		\$ 59,155		\$ 419	\$ 672	\$ 1,081	\$ 1,391			\$ 62,718		
Increase/Decrease in Net Assets		(57,924)		(419)	(672)	(534)	(1,391)			(60,940)		
Net Assets, Beginning of the Year	\$15	(102,267)	\$ 37,663	1,809,005	0.00	324,440	5,167	\$3,460	\$(3)	2,077,480	\$3,986	\$3,986
Inter-Fund Transfers		41,123	(37,663)		(8,195)			(3,460)	3	(8,192)		
Net Assets, End of the Year	\$15	\$(119,068)	\$ 0	\$1,808,586	\$(8,867)	\$323,906	\$3,776	\$ 0	\$ 0	\$2,008,348	\$3,986	\$3,986

North Dakota Life and Health Insurance Guaranty Association
Statement of Activities and Changes in Net Assets
For the Period Ended June 30, 2010

	ANNUITY												
	Executive Life / DBL	Executive Life	Executive Life / GSLIC	Executive Life / KCL	London Pacific	Midwest International	Midwest Life	Executive Life / MBL	National American Life of PA	National Heritage	Summit National	Universe Life	Total Annuity
Revenue													
Assessments													
Premiums		\$ 1,846											\$ 1,846
Interest Income													
Other/Refund/Distribution													
Total Revenue		\$ 1,846											\$ 1,846
Expense													
Claims		\$ 91,406		\$ 3	\$ 12	\$ 3,276							\$ 94,682
Administration		146											149
Legal							24,885						24,885
General													
Other/Refunds													
NOLHGA Dues/Exp		2,456		83			149			\$ 34			2,734
Total Expense		\$ 94,008		\$ 86	\$ 12	\$ 3,276	25,034			\$ 34			\$ 122,450
Increase/Decrease in Net Assets		(92,162)		(86)	(12)	(3,276)	(25,034)			(34)			(120,604)
Net Assets, Beginning of the Year	\$ 40,432	(181,792)	\$ 153,416	351,112	382	337,949	536,284	\$ 4,901	\$ 21	97,721	\$(37)	\$ 76	1,340,465
Inter-Fund Transfers	(40,432)	198,749	(153,416)		287			(4,901)	(21)		37		303
Net Assets, End of the Year	\$ 0	\$(75,205)	\$ 0	\$ 351,026	\$ 657	\$ 334,673	\$ 511,250	\$ 0	\$ 0	\$ 97,687	\$ 0	\$ 76	\$ 1,220,164

North Dakota Life and Health Insurance Guaranty Association
Statement of Activities and Changes in Net Assets
for the Period Ended June 30, 2010

	HEALTH															Total Health
	American Chambers	American Integrity	Benicorp Insurance	Centennial Life	Great Republic	Legacy Life	Legion Ins Co	Life & Health Ins Co of Am	Lincoln Memorial	Medical Savings	Midwest Life	Monarch Life	Reliance Insurance	Universe Life	Villanova Ins	Total Health
Revenue																
Assessments																
Premiums																
Interest																
Income																
Other/Refund/ Distribution	\$3,803							\$ 1						\$5,511		\$ 9,315
Total Revenue	\$3,803							\$ 1						\$5,511		\$ 9,315
Expense																
Claims																
Administration			\$ 27					\$150,511	\$ 63	\$ 415	\$ 1,363		\$ 909			\$151,420
Legal								344					148			997
General																1,363
Other/Refunds NOLHGA Dues/Exp	\$ 5	\$ 462		\$ 4				7,693			8			18		8,191
Total Expense	\$ 5	\$ 462	\$ 27	\$ 4				\$158,548	\$ 63	\$ 415	\$ 1,391		\$ 1,057	\$ 18		\$161,991
Inc/Dec in Net Assets	3,797	(462)	(27)	(4)				(158,547)	(63)	(415)	(1,391)		(1,057)	5,493		(152,676)
Net Assets, Beginning of the Year	(1,996)	186,247	(1,137)	(235)	\$14	\$15	\$172	(33,570)	(8,132)	(342)	21,901		\$ (873)	(40)	\$ (198)	161,826
Inter-Fund Transfers					(14)	(15)			8,195							8,166
Net Assets, End of the Year	\$1,801	\$185,785	\$(1,164)	\$(239)	\$ 0	\$ 0	\$172	\$(192,117)	\$ 0	\$(757)	\$20,510	\$(873)	\$(1,057)	\$5,453	\$(198)	\$ 17,316

North Dakota Life and Health Insurance Guaranty Association
Statement of Activities and Changes in Net Assets
for the Period Ended June 30, 2010

OTHER COMPANIES												
	C-Monitor Group	E-Monitor Company	Amer. Comm Mut.	America Life & Hlth	Lin Gen.	Metro Group	Penn Treaty	Shen. Life	Standard Life	93-96 Reassmt	Class B Close-outs	Total Other Co
Revenue												
Assessments												
Premiums												
Interest Income												
Oth/Refund/ Distrib										\$195,979	\$ 170	\$196,149
Total Revenue										\$195,979	\$ 170	\$196,149
Expense												
Claims												
Administration												
Legal												
General												
Other/Refunds												
NOLHGA												
Dues/Exp												
Total Expense												
		\$ 100	\$ 18	\$ 328	\$ 9	\$ 441	\$ 3,721	\$ 56	\$5,210	\$ 26	\$ 120	\$ 10,029
Increase/Decrease in Net Assets		(100)	(18)	(328)	(9)	(441)	(3,721)	(56)	(5,210)	195,953	50	186,120
Net Assets, Beginning of the Year	\$ (7,785)	(323)				(19,934)	(202)	(54)	(219)	3,030	75,662	50,175
Inter-Fund Transfers										(3,030)	2,754	(276)
Net Assets, End of the Year	\$ (7,785)	\$ (423)	\$ (18)	\$ (328)	\$ (9)	\$ (20,375)	\$ (3,923)	\$ (110)	\$ (5,429)	\$195,953	\$78,466	\$236,019

COMMENTS TO THE FINANCIAL STATEMENTS

Cash and Investments

The Association has an agreement with Wells Fargo which allows the Association to transfer amounts between the Wells Fargo Advantage Government Money Market Fund and a demand deposit account. As of June 30, 2010, investments consisted of the following items and amounts:

Operating Account	\$15,697
Wells Fargo Govt Money Market	<u>\$4,231,477</u>
Total	\$4,247,174

FUND BALANCE

Members' equity at June 30, 2010, was determined by this examination to be \$4,247,174 or the same amount reported by the Association in its financial statement as of June 30, 2010.

SUBSEQUENT EVENTS

The 2011 Legislative Assembly adopted the following changes to N.D.C.C. Chapter 26.1-38.1 by passage of Senate Bill No. 2111:

1. Increases benefit limit from \$100,000 to \$300,000 for long-term care and disability insurance.
2. Increases benefit limit from \$100,000 to \$500,000 for basic hospital, medical, surgical, and major medical policies.
3. Increases benefit limit from \$100,000 to \$250,000 for annuities, government retirement benefit plans, and structured settlement annuities.
4. Specifies that Medicare Part C and D policies are not covered by the Association.
5. Removes the annual \$150 per member cap and the pro rata option for the Association's assessment of its administrative expenses and legal costs under the Class A assessment authority.
6. Requires the Association to pay interest on a refund due to a member insurer at the rate earned by the Association.
7. Requires the Association's Plan of Operation to add policies and procedures for the removal of directors for cause, and to address conflicts of interest.

CONCLUSION


The financial condition of the North Dakota Life and Health Insurance Guaranty Association, Fargo, North Dakota, as of June 30, 2010, as determined by this examination is summarized as follows:

Total Assets	\$4,247,174
Total Fund Balance	\$4,247,174

The foregoing amounts are the same as that reported by the Association on its June 30, 2010 financial statements.

The Examiner expresses his appreciation for the courteous cooperation and assistance given him by the officers and employees of the Association during the course of this examination.

Respectfully submitted,


Nick Nankivel
Examiner
N.D. Insurance Department